

Dear State CSBG Administrators,

Three Year Spending Freeze

Yesterday, the White House let key congressional staff know that it will propose freezing much of domestic discretionary spending at current levels for three years as part of the fiscal 2011 budget. The White House estimates this will save \$250 billion over 10 years when measured against current spending projections. What's more, per comments by one Administration aide, "There are going to be a great number of programs that get terminated or are cut dramatically."

The White House will release its fiscal 2011 budget proposal February 1st. The freeze would exempt the Pentagon, foreign aid, Veterans Administration and homeland security budgets, as well as the entitlement programs that make up the biggest and fastest-growing part of the federal budget: Medicare, Medicaid and Social Security. The eight fiscal 2010 appropriations bills that focus on domestic programs included about \$412 billion in funding while the total amount appropriated for the 12 annual spending bills was \$1.09 trillion, not including funding for military operations in Iraq and Afghanistan.

Notably, starting in fiscal 2014, the president's budget is expected to propose domestic spending growth at the rate of inflation.

Support for the Middle Class

Yesterday the White House also released details of recommendations for aiding the middle-class. More specifically, the Administration announced several proposals around retirement savings, child support and student aid.

The White House is proposing to increase child care funding by \$1.6 billion, and also increase federal support for families that care for elderly relatives. It seeks to nearly double the child and dependent care credit for families making less than \$85,000 a year — boosting their credit to 35 percent of qualifying expenses, up from 20 percent — and all families making less than \$115,000 a year would see an increase in their credit. For college students, the White House is proposing to limit federal loan payments to 10 percent of their income above a basic living allowance. The White House also wants to require all employers to give employees the option of enrolling in a direct-deposit Individual Retirement Account. Furthermore, it's asking lawmakers to expand tax credits to match retirement savings and put in place "new safeguards to protect retirement savings, making it easier for families to plan for retirement."

Jobs Bill

Many Democrats worry that they should shift their focus from health care to the economy with the 2010 elections coming up. The House passed a bill ([HR 2847](#)) aimed at job creation in December, but the Senate has not yet acted on a plan.

We will keep you informed as things progress.

